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ACTION EAP-00

INFO	LOG-00	NP-00	AID-00	CEA-01	CIAE-00	CTME-00	DINT-00
	DODE-00	ITCE-00	DOTE-00	ANHR-00	WHA-00	SRPP-00	EB-00
	EXME-00	E-00	FAAE-00	FBIE-00	UTED-00	VC-00	FRB-00
	H-01	TEDE-00	INR-00	IO-00	ITC-01	LAB-01	L-00
	VCE-00	MOFM-04	MOF-03	AC-01	NSAE-00	NSCE-00	NSF-01
	OES-01	OIC-02	OMB-01	OPIC-01	PM-00	PRS-00	ACE-00
	SP-00	SSO-00	SS-00	STR-00	TRSE-00	T-00	USIE-00
	R-00	EPAE-00	PMB-00	DRL-02	G-00	NFAT-00	SAS-00

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FM AMEMBASSY HANOI
TO SECSTATE WASHDC 0114
DOE WASHDC
USDOC WASHDC
INFO ASEAN COLLECTIVE
AMEMBASSY BEIJING
AMCONSUL GUANGZHOU
AMCONSUL HONG KONG
AMCONSUL HO CHI MINH CITY

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SIPDIS

STATE FOR EAP/BCLTV, EB/ESC, OES/E
USDOC ALSO FOR 4431/MAC/AP/OKSA/VLC/HPPHO
USDOE FOR IA
BANGKOK FOR REO JIM MARTIN

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E.O. 12958: N/A

TAGS: [ECON](#) [EMIN](#) [ENRG](#) [EIND](#) [ELAB](#) [SENV](#) [VM](#)

SUBJECT: VIETNAM'S QUANG NINH PROVINCE: COAL, ECOTOURISM, AND CHINA?

SUMMARY

1. NORTHEASTERN VIETNAM'S QUANG NINH PROVINCE IS BLESSED WITH TWO NATURAL ENDOWMENTS: ABUNDANT HIGH-QUALITY COAL AND STRIKING SCENERY. IT CONTAINS MORE THAN NINETY PERCENT OF VIETNAM'S COAL RESERVES AND MINES TEN MILLION TONS A YEAR. LIKE MANY OTHER VIETNAMESE STATE-OWNED SECTORS, HOWEVER, THE COAL INDUSTRY IS BURDENED WITH EXCESS LABOR AND PRODUCTION CAPACITY GREATLY EXCEEDS DOMESTIC AND FOREIGN DEMAND. WORKING CONDITIONS MAY HAVE IMPROVED IN RECENT YEARS BUT REMAIN DIFFICULT. INCONGRUOUSLY, THE PROVINCE'S COAL TERMINAL IS LOCATED AT HALONG BAY, VIETNAM'S PREMIER TOURIST ATTRACTION.

2. HALONG BAY, DESIGNATED A 'WORLD HERITAGE SITE' BY UNESCO, ATTRACTS INCREASING NUMBERS OF VIETNAMESE AND FOREIGN TOURISTS EVERY YEAR. PROVINCIAL OFFICIALS HAVE ADOPTED A STRATEGY OF PROMOTING AND DEVELOPING TOURISM AS THE SECOND PILLAR OF QUANG NINH'S ECONOMY. EVENTUALLY QUANG NINH PLANS TO RELOCATE ITS COAL PORT FURTHER TO THE NORTH, AWAY FROM THE ENVIRONMENTALLY SENSITIVE TOURIST AREAS. OFFICIAL AND PUBLIC AWARENESS OF THE NEED TO PROTECT THE ENVIRONMENT MAY

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BE GROWING AS WORKERS SEE THE IMPACT OF POLLUTION ON THEIR DAILY LIVES. SOME EXPERTS HAVE WARNED, HOWEVER, THAT DAMAGE TO THE HALONG BAY ENVIRONMENT ALREADY IS EXTENSIVE AND IS CONTINUING.

3. QUANG NINH'S OTHER ECONOMIC ASSET MAY BE CHINA, ITS GIANT NEIGHBOR TO THE NORTH. THE PROVINCE HAS ACTIVELY COURTED CHINESE TRADERS, INVESTORS, AND TOURISTS SINCE THE BORDER WAS RE-OPENED TEN YEARS AGO. THERE IS A VISA WAIVER PROGRAM FOR SHORT-TERM VISITORS AND THE ROAD FROM THE BORDER TO HALONG CITY HAS BEEN IMPROVED. THERE ALSO IS CONSIDERABLE SMUGGLING ACROSS THE BORDER, WHICH ONE OFFICIAL DESCRIBED AS 'NORMAL FOR VIETNAMESE'. END SUMMARY.

4. DURING A RECENT VISIT TO QUANG NINH PROVINCE IN NORTHEASTERN VIETNAM, ECONOFFS DISCUSSED ECONOMIC DEVELOPMENT WITH PROVINCIAL PEOPLE'S COMMITTEE VICE CHAIRMAN NGUYEN VAN MIEN AND OTHER PROVINCIAL OFFICIALS, AS WELL AS REPRESENTATIVES OF VINACOAL,

VIETNAM'S STATE-OWNED COAL PRODUCTION AND EXPORT MONOPOLY. DUE TO ITS LOCATION ALONG THE CHINESE BORDER AND THE GULF OF TONKIN, AND TO ITS RELATIVELY DEVELOPED AND OUTWARD-ORIENTED ECONOMY, THE PROVINCE IS MORE ACCUSTOMED TO RELATIONS WITH FOREIGNERS THAN MOST NON-URBAN AREAS OF VIETNAM. IT ALSO BOASTS A POPULATION OF 1.4 MILLION AND THE ONLY DEEP-WATER PORT IN NORTHERN VIETNAM.

COAL IS KING

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15. FOR DECADES COAL HAS BEEN THE ECONOMIC LIFEBLOOD OF QUANG NINH, WHICH CONTAINS MORE THAN NINETY PERCENT OF VIETNAM'S COAL RESERVES. WITH AT LEAST 3.6 BILLION TONS OF HIGH QUALITY ANTHRACITE COAL STILL IN THE GROUND, AND ANNUAL PRODUCTION OF TEN MILLION TONS, THE PROVINCE EXPECTS THIS SITUATION TO CONTINUE INDEFINITELY. QUANG NINH CURRENTLY EXPORTS 3.5-3.8 MILLION TONS OF ITS COAL EVERY YEAR. VINACOAL REPRESENTATIVES CLAIMED THEIR PRODUCTION CAPACITY WAS 16-18 MILLION TONS PER YEAR BUT LIMITED INTERNATIONAL DEMAND FORCES THEM TO REDUCE OUTPUT.

16. ACCORDING TO DIRECTOR NGO KHAC HOA OF VINACOAL'S QUANG NINH SUBSIDIARY, COAL FROM THE LOCAL OPEN-PIT MINES IS OF HIGH QUALITY, YIELDING 7-8,000 KILOCALORIES PER KILOGRAM WITH 0.5 PERCENT SULFUR, 4-8 PERCENT MOISTURE, AND 6-8 PERCENT VOLATILE MATTER. THE MINES USE EQUIPMENT IMPORTED FROM JAPAN, GERMANY, AND THE U.S. (CATERPILLAR). ONE MINE VISITED BY EMBOFFS EMPLOYS 4,500 PEOPLE, MORE THAN HALF OF WHOM ARE MANUAL LABORERS. DIRECTOR HOA SAID A MINE OF SIMILAR SIZE IN THE U.S. WOULD EMPLOY JUST 300-500 PEOPLE, BUT IN VIETNAM MINES WERE MUCH LESS MECHANIZED. HE ADDED IT WAS IMPORTANT TO CREATE AS MANY JOBS AS POSSIBLE.

17. IN 1999 PRODUCTION EXCEEDED DEMAND AND THE PROVINCE ACCUMULATED HUGE STOCKPILES OF UNSOLD COAL. THE AVERAGE WORK WEEK WAS REDUCED FROM 26-30 DAYS PER MONTH TO 18-22 DAYS, WITH PAY RATES ALLEGEDLY UNCHANGED AT ABOUT 900,000 VIETNAMESE DONG (USD 64) PER MONTH. (NOTE: BY VIETNAMESE STANDARDS THIS WOULD BE A GOOD SALARY. PRESS REPORTS FROM 1999, HOWEVER, INDICATE WORKER SALARIES WERE CUT TO AS LITTLE AS 300,000 DONG PER MONTH DURING THE CUTBACKS, AND A LARGE NUMBER OF WORKERS WERE TEMPORARILY RELEASED. END NOTE.)

18. ALSO IN 1999, THE COAL COMPANY INSTITUTED A LIFE INSURANCE PLAN FOR THE WORKERS, ALTHOUGH OFFICIALS CLAIMED THERE WERE 'VERY FEW' ACCIDENTS. ACCORDING TO STATISTICS FROM THE MINISTRY OF LABOR, INVALIDS, AND SOCIAL AFFAIRS, HOWEVER, FROM 1995 TO 1999 THERE WERE 112 DEATHS AND 514 INJURIES NATIONWIDE IN VIETNAM'S COALMINES, MOST PRESUMABLY IN QUANG NINH. IN JANUARY 1999 A METHANE EXPLOSION IN QUANG NINH KILLED 19 WORKERS AND INJURED 12. NEVERTHELESS, DIRECTOR HOA SAID THE STANDARD OF LIVING FOR WORKERS NOW WAS MUCH BETTER THAN TEN YEARS AGO.

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19. COAL FROM THE QUANG NINH MINES IS TRANSPORTED VIA CONVEYOR BELTS AND TRUCKS TO THE NEARBY COAL PORT, OWNED AND OPERATED BY ANOTHER VINACOAL SUBSIDIARY. THE PORT, BUILT IN 1924 BY THE FRENCH COLONISTS, CAN HANDLE 10,000 TONS AND TEN SHIPS PER DAY. COMPANY REPRESENTATIVES CLAIMED THE TERMINAL, AT THE END OF A 40 KILOMETER PASSAGEWAY THROUGH THE ISLANDS OF HALONG BAY, COULD ACCOMMODATE SHIPS UP TO 65,000 TONS. LARGE SHIPS, HOWEVER, COULD ONLY BE PARTIALLY LOADED AT DOCKSIDE BEFORE HAVING TO MOVE TO DEEPER WATER TO COMPLETE THE LOADING BY BARGE.

10. ASIDE FROM COAL AND CONSTRUCTION MATERIALS, THE QUANG NINH GOVERNMENT HOPES TO DEVELOP SEVEN INDUSTRIAL ZONES FOR LIGHT, NON-POLLUTING INDUSTRIES SUCH AS FOOD PROCESSING. IT ALSO WANTS TO EXPAND ITS PORT FACILITIES AND THE SMALL SHIPBUILDING SECTOR AND TO IMPROVE THE TRANSPORTATION AND ENERGY INFRASTRUCTURE. THE PROVINCE ACTIVELY SEEKS FOREIGN INVESTMENT, WHICH ALREADY TOTALS NEARLY USD 900 MILLION IN 35 PROJECTS. MOST OF THE FOREIGN INVESTORS ARE FROM SOUTHEAST ASIA, JAPAN, SOUTH KOREA, AND TAIWAN.

TOURISM: THE FUTURE?

11. FAMOUS FOR ITS 3,000 LIMESTONE KARST ISLANDS
JUTTING FROM CLEAR BLUE WATERS, QUANG NINH'S 1,500
SQUARE KILOMETER HALONG BAY IN THE GULF OF TONKIN WAS
DESIGNATED IN 1994 AS A 'WORLD HERITAGE SITE' BY
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UNESCO. EVERY YEAR IT ATTRACTS INCREASING NUMBERS OF
VIETNAMESE AND FOREIGN TOURISTS; IN 1999 THE TOTAL
REACHED ONE MILLION. IN APRIL 1999 THE VIETNAMESE
MINISTRY OF PLANNING AND INVESTMENT AND THE WORLD
BANK HOSTED A CONFERENCE ON 'SUSTAINABLE DEVELOPMENT'
AT HALONG BAY TO CONSIDER OPTIONS FOR THE FUTURE
ECONOMIC DEVELOPMENT OF THE REGION. AT THAT TIME A
NUMBER OF FOREIGN PARTICIPANTS WARNED OF A POSSIBLE
CONFLICT BETWEEN ECOTOURISM AND COAL MINING.

12. SINCE THE CONFERENCE PROVINCIAL OFFICIALS HAVE
ADOPTED A STRATEGY OF PROMOTING AND DEVELOPING
TOURISM AS THE SECOND PILLAR OF QUANG NINH'S ECONOMY.
ALTHOUGH THEY DO NOT APPEAR TO SEE THE GRIT AND GRIME
OF COALMINES AND PORT TERMINALS AS SERIOUS THREATS TO
THE TOURISM SECTOR, THEY RECOGNIZE THE NEED TO
IMPROVE SERVICES FOR VISITORS AND ALSO TO EDUCATE THE
POPULATION ON THE IMPORTANCE OF ENVIRONMENTAL
PROTECTION. WITH ASSISTANCE FROM THE UNITED NATIONS
AND THE GOVERNMENT OF JAPAN, QUANG NINH IS DEVELOPING
ENVIRONMENT POLICIES, IMPROVING WASTEWATER TREATMENT,
PROTECTING MANGROVE FORESTS, AND CONDUCTING RESEARCH
ON A VARIETY OF ENVIRONMENTAL ISSUES.

13. IN THE LONGER TERM QUANG NINH PLANS TO RELOCATE
ITS COAL PORT FURTHER TO THE NORTH, AWAY FROM THE
TOURIST AREAS OF HALONG BAY. CAI LAN PORT IN HALONG
CITY WILL BE USED ONLY FOR LESS-POLLUTING CONTAINER
CARGO, AND CONSTRUCTION OF A NEW BRIDGE WILL
ELIMINATE THE NEED FOR THE AGED AND POLLUTING FERRIES
ACROSS THE HARBOR ENTRANCE.

14. AT THE COALMINES, MANAGERS CLAIMED VIETNAMESE LAW
REQUIRED THEM TO REPLACE TOPSOIL AND REPLANT
VEGETATION AT DEPLETED OPEN-PIT MINES. THEY SAID
PUBLIC AWARENESS OF THE NEED TO PROTECT THE
ENVIRONMENT WAS GROWING, AS WORKERS COULD SEE THE
IMPACT OF POLLUTION ON THEIR DAILY LIVES. DIRECTOR
HOA SAID VINACOAL WAS WORKING TO REDUCE DUST AND
WATER POLLUTION AND IMPROVE TREATMENT OF WASTEWATER.
ONE PERCENT OF COAL REVENUE IS EARMARKED FOR
REFORESTATION PROGRAMS.

15. OTHER EXPERTS, HOWEVER, HAVE WARNED THAT DAMAGE
TO THE HALONG BAY ENVIRONMENT ALREADY IS EXTENSIVE
AND IS CONTINUING. ONE REPORT INDICATES AS MUCH AS
50 PERCENT OF THE CORAL REEFS OFF VIETNAM'S NORTHEAST
COAST HAVE BEEN KILLED BY COAL DUST AND EFFLUENT.
LOCAL RESIDENTS HARVEST CORAL ILLEGALLY FOR SALE TO
TOURISTS. ALSO, AS FISHERMEN HAVE DEPLETED INSHORE
STOCKS THEY HAVE MOVED FURTHER OUT INTO THE BAY.

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CHINA

16. QUANG NINH'S OTHER ECONOMIC ASSET MAY BE ITS
GIANT NEIGHBOR TO THE NORTH. PRIMARILY THROUGH THE
INTERNATIONAL CROSSING AT MONG CAI, A BOOMING BORDER
TOWN IN THE NORTHEAST CORNER OF THE PROVINCE, QUANG
NINH HAS ACTIVELY COURTED CHINESE TRADERS, INVESTORS,
AND TOURISTS SINCE THE BORDER WAS RE-OPENED TEN YEARS
AGO. THERE IS A TWO-WAY VISA WAIVER PROGRAM FOR
SHORT-TERM VISITORS TO EACH COUNTRY'S BORDER REGIONS.
THE ROAD FROM THE BORDER TO HALONG CITY HAS BEEN
IMPROVED AND BOAT SERVICE BETWEEN THE TWO TOWNS TAKES
LESS THAN TWO HOURS.

17. THE CHINA TRADE AND TOURISM BOOM HAS BROUGHT
ANOTHER GROWTH INDUSTRY TO QUANG NINH: SMUGGLING,
WHICH VICE CHAIRMAN MIEN DESCRIBES AS 'NORMAL FOR
VIETNAMESE'. IN FACT, HE SAID, MOST OF THE FLOW WAS
NOT SMUGGLING, BUT RATHER SMALL-SCALE 'FRAUDULENT
TRADE' TO AVOID TAXES ON GOODS SUCH AS CHINESE
MOTORBIKES AND COMPACT DISKS. WHEN QUESTIONED, HE
CONCEDED TRAFFICKING IN DRUGS AND WOMEN ALSO TOOK
PLACE, BUT SAID HIS GOVERNMENT WAS CONSIDERING NEW
LAWS, REGULATIONS, AND ENFORCEMENT MEASURES TO
PREVENT IT.

COMMENT

18. IF QUANG NINH CAN MINE THE POTENTIAL OF TOURISM
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WHILE MAINTAINING ITS PRODUCTIVE COAL INDUSTRY, IT SHOULD BE ABLE TO BECOME ONE OF VIETNAM'S MORE DEVELOPED AND PROSPEROUS PROVINCES. CLOSER TRADE LINKS WITH CHINA COULD FURTHER STIMULATE GROWTH. THE PROVINCE RUNS THE RISK, HOWEVER, OF DESTROYING ITS NATURAL BEAUTY JUST IN TIME FOR THE EXHAUSTION OF ITS COAL RESERVES.

PETERSON

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